

**REPORT OF THE AUDIT OF THE  
MCCRACKEN COUNTY  
SHERIFF**

**For The Year Ended  
December 31, 2014**



**ADAM H. EDELEN  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE MCCRACKEN COUNTY SHERIFF**

**For The Year Ended  
December 31, 2014**

The Auditor of Public Accounts has completed the McCracken County Sheriff's audit for the year ended December 31, 2014. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the receipts, disbursements, and excess fees in conformity with the regulatory basis of accounting.

#### **Financial Condition:**

Excess fees increased by \$73,540 from the prior year, resulting in excess fees of \$1,958,410 as of December 31, 2014. Receipts increased by \$76,351 from the prior year and disbursements increased by \$2,811.

#### **Report Comments:**

- 2014-001 The McCracken County Sheriff Should Make Deposits On A Timely Basis
- 2014-002 Blank Checks Should Not Be Signed Prior To Purchase
- 2014-003 The Sheriff Should Strengthen Internal Controls Over The Petty Cash Fund

#### **Deposits:**

The Sheriff's deposits as of December 5, 2014 were exposed to custodial credit risk as follows:

- Uncollateralized and Uninsured \$241,060

The Sheriff's deposits were covered by FDIC insurance and a properly executed collateral security agreement, but the bank did not adequately collateralize the Sheriff's deposits in accordance with the security agreement.



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**ADAM H. EDELEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Bob Leeper, McCracken County Judge/Executive  
The Honorable Jon Hayden, McCracken County Sheriff  
Members of the McCracken County Fiscal Court

Independent Auditor's Report

**Report on the Financial Statement**

We have audited the accompanying statement of receipts, disbursements, and excess fees - regulatory basis of the County Sheriff of McCracken County, Kentucky, for the year ended December 31, 2014, and the related notes to the financial statement.

**Management's Responsibility for the Financial Statement**

Management is responsible for the preparation and fair presentation of the financial statement in accordance with accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting as described in Note 1. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



The Honorable Bob Leeper, McCracken County Judge/Executive  
The Honorable Jon Hayden, McCracken County Sheriff  
Members of the McCracken County Fiscal Court

### **Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles**

As described in Note 1 of the financial statement, the financial statement is prepared by the County Sheriff on the basis of the accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

### **Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the County Sheriff, as of December 31, 2014, or changes in financial position or cash flows thereof for the year then ended.

### **Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Sheriff for the year ended December 31, 2014, in accordance with the basis of accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated June 19, 2015 on our consideration of the McCracken County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the McCracken County Sheriff's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control over financial reporting and compliance.



The Honorable Bob Leeper, McCracken County Judge/Executive  
The Honorable Jon Hayden, McCracken County Sheriff  
Members of the McCracken County Fiscal Court

**Other Reporting Required by Government Auditing Standards (Continued)**

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- 2014-001 The McCracken County Sheriff Should Make Deposits On A Timely Basis
- 2014-002 Blank Checks Should Not Be Signed Prior To Purchase
- 2014-003 The Sheriff Should Strengthen Internal Controls Over The Petty Cash Fund

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Adam H. Edelen", with a stylized flourish at the end.

Adam H. Edelen  
Auditor of Public Accounts

June 19, 2015

MCCRACKEN COUNTY  
JON HAYDEN, SHERIFF  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2014

Receipts

Federal Highway Safety Grant	\$	5,205	
State Grant			17,649
State - Kentucky Law Enforcement Foundation Program Fund (KLEFPF)			149,348
State Fees For Services:			
Finance and Administration Cabinet			262,773
Circuit Court Clerk:			
Fines and Fees Collected	\$	19,230	
Court Ordered Payments		<u>877</u>	20,107
Fiscal Court			125,444
County Clerk - Delinquent Taxes			79,809
Commission On Taxes Collected			1,217,955
Fees Collected For Services:			
Auto Inspections		38,674	
Accident and Police Reports		950	
Serving Papers		73,530	
Carrying Concealed Deadly Weapon Permits		18,550	
Arrest Fees		2,030	
Fingerprinting and Photos		6,013	
Mental Health Transports		<u>6,958</u>	146,705
Other:			
Add-On Fees		72,215	
Jury Meals		214	
Miscellaneous		<u>451</u>	72,880
Interest Earned			<u>980</u>
Total Receipts			2,098,855

The accompanying notes are an integral part of this financial statement.

MCCRACKEN COUNTY  
 JON HAYDEN, SHERIFF  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2014  
 (Continued)

Disbursements

Operating Disbursements:

Other Charges-

Refunds	\$ 490
Bank Service Charges	462
Jury Expenses	214
Prisoner Transport	13,745
Tax Bill Postage	15,938
Miscellaneous	85
Bad Debt Expense	<u>5</u>

Total Disbursements	<u>\$ 30,939</u>
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Net Receipts	2,067,916
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Less: Statutory Maximum	<u>105,596</u>
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Excess Fees	1,962,320
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Less: Training Incentive Benefit	<u>3,910</u>
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Excess Fees Due County for 2014	1,958,410
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Payments to Fiscal Court - Monthly	<u>1,958,410</u>
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Balance Due Fiscal Court at Completion of Audit	<u><u>\$ 0</u></u>
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The accompanying notes are an integral part of this financial statement.

MCCRACKEN COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2014

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the Sheriff as determined by the audit. KRS 134.192 requires the Sheriff to settle excess fees with the fiscal court at the time he files his final settlement with the fiscal court.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a special purpose framework. Under this regulatory basis of accounting receipts and disbursements are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2014 services
- Reimbursements for 2014 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2014

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

MCCRACKEN COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2014  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Fee Pooling

The McCracken County Sheriff participated in a fee pooling system. Fee officials who participate in fee pooling deposit all funds collected into their official operating account. The funds are then paid to the County Treasurer on a monthly basis. Invoices are submitted to the County Treasurer to document operating expenses. The County Treasurer pays all operating expenses for the fee official.

Note 2. Employee Retirement System

The county official and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 18.89 percent for the first six months and 17.67 percent for the last six months.

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9 percent of their salary to be allocated as follows: 8% will go to the member's account and 1% will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 35.70 percent for the first six months and 34.31 percent for the last six months.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

CERS also provides post retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

MCCRACKEN COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 December 31, 2014  
 (Continued)

Note 2. Employee Retirement System (Continued)

<b>Years of Service</b>	<b>% paid by Insurance Fund</b>	<b>% Paid by Member through Payroll Deduction</b>
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Hazardous employees whose participation began on or after July 1, 2003, earn fifteen dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, such employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The McCracken County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The McCracken County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). On December 5, 2014 the Sheriff's bank balance was exposed to custodial credit risk because the bank did not adequately collateralize the Sheriff's deposits in accordance with the security agreement.

- Uncollateralized and Uninsured \$241,060

MCCRACKEN COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2014  
(Continued)

Note 4. Drug Forfeiture Account

The McCracken County Sheriff maintains a Drug Forfeiture Account. The account is funded by court ordered forfeitures of money or funds received from the sale of forfeited assets, interest received on deposits of forfeiture funds, as well as certain court ordered contributions. The funds are to be used for various law-enforcement operation, equipment, and education. As of January 1, 2014, the Drug Account had a balance of \$87,748. During the year, receipts from forfeitures, contributions, and interest totaled \$56,460, and disbursements of \$90,696 were made for law-enforcement equipment and support. A balance of \$53,512 remained in the Drug Forfeiture Account at December 31, 2014.

Note 5. Federal Drug Account

The McCracken County Sheriff maintains a Federal Drug Account for its federal equitable sharing program. The account is funded by federally forfeited cash, property proceeds, and any interest earned thereon, which are equitably shared with participating law enforcement agencies. The funds shall be used for law enforcement purposes in accordance with the statutes and guidelines that govern "equitable sharing." As of January 1, 2014, the fund had a balance of \$13,358. During the year, receipts totaled \$106,585, and disbursements of \$1,953 were made. The account had a balance of \$117,990 as of December 31, 2014.

Note 6. Special Deputy Fund

The McCracken County Sheriff opened a Special Deputy Account at the end of calendar year 2008. This account is funded by donations made to the McCracken County Sheriff's office. The funds are to be used for purchasing various equipment that is needed. As of January 1, 2014, the account had a balance of \$3,434. During the year, receipts totaled \$1,000, and no disbursements were made. A balance of \$4,434 remained in the Special Deputy Account at December 31, 2014.

Note 7. Evidence Holding Account

The McCracken County Sheriff maintains an Evidence Holding Account. Receipts for his account are monies that are confiscated from theft or drug arrests. These funds are disbursed only by a court order. As of January 1, 2014, the fund had a balance of \$88,855. During the year, receipts totaled \$44,813, and \$38,860 was disbursed by a court order. A balance of \$94,808 remained in the Evidence Holding Account at December 31, 2014.

Note 8. Project Lifesaver Account

The McCracken County Sheriff's office opened a Project Lifesaver account in calendar year 2012. This program is to provide timely response to save lives and reduce potential injury to adults and children who wander due to Alzheimer's, autism, and other related cognitive conditions. This account was funded by the monthly fees from participating customers associated with the program and monies from Fiscal Court. The remaining project funds will be used for maintenance and upkeep of project equipment. As of January 1, 2014, the fund had a balance of \$4,078. During the year, receipts totaled \$1, with no funds being disbursed. A balance of \$4,079 remained in the Project Lifesaver Account at December 31, 2014.

MCCRACKEN COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2014  
(Continued)

Note 9. Federal Grant – Federal Highway Safety

The McCracken County Sheriff's office was awarded a Federal Highway Safety grant for the period October 1, 2014 through September 30, 2015. During 2014, grant funds in the amount of \$5,205 were received. All funds were expended for their intended purpose.

Note 10. State Grant – State DUI Enforcement Program

The McCracken County Sheriff's office was awarded a State DUI Enforcement Program grant from the Kentucky Justice and Public Safety Cabinet for the period July 1, 2013 through June 30, 2014. During 2014, grant funds in the amount of \$17,649 were received. All funds were expended for their intended purpose.



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





**ADAM H. EDELEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Bob Leeper, McCracken County Judge/Executive  
The Honorable Jon Hayden, McCracken County Sheriff  
Members of the McCracken County Fiscal Court

**Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards**

**Independent Auditor's Report**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the statement of receipts, disbursements, and excess fees - regulatory basis of the McCracken County Sheriff for the year ended December 31, 2014, and the related notes to the financial statement and have issued our report thereon dated June 19, 2015. The County Sheriff's financial statement is prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a special purpose framework.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statement, we considered the McCracken County Sheriff's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the McCracken County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the McCracken County Sheriff's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal controls that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify and deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, which are described in the accompanying comments and recommendations as items 2014-002 and 2014-003 that we consider to be significant deficiencies.



Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

### **Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the McCracken County Sheriff's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under Government Auditing Standards and which is described in the accompanying comments and recommendations as item 2014-001.

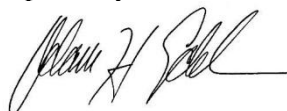
### **County Sheriff's Responses to Findings**

The McCracken County Sheriff's responses to the findings identified in our audit are described in the accompanying comments and recommendations. The County Sheriff's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Adam H. Edelen  
Auditor of Public Accounts

June 19, 2015

## COMMENTS AND RECOMMENDATIONS



MCCRACKEN COUNTY  
JON HAYDEN, SHERIFF  
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2014

STATE LAWS AND REGULATIONS:

2014-001 The McCracken County Sheriff Should Make Deposits On A Timely Basis

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Audit procedures over receipts revealed the Sheriff was not making daily deposits. Instead, deposits were being made whenever a uniformed officer was available. This practice left receipts vulnerable to misappropriation and loss. Under the authority of KRS 68.210, the Department for Local Government (DLG) has established requirements for all local government officials handling public funds. These requirements include “daily deposits intact into a federally insured banking institution”.

For the dates that were selected for testing, auditors noted delays of up to three working days between the date of receipt and the date of deposit. While it is our understanding that all funds awaiting deposit are protected in a locked, fireproof vault, such delays still put these funds at risk. We recommend the Sheriff implement procedures to ensure receipts are deposited daily in order to meet the requirements established by DLG.

*Sheriff's Response: This oversight has been communicated to the proper officers and staff, and extra efforts will be made to comply with this requirement in the future.*

INTERNAL CONTROL – SIGNIFICANT DEFICIENCIES:

2014-002 Blank Checks Should Not Be Signed Prior To Purchase

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During our test of disbursements, one instance was noted where the Sheriff and Chief Deputy co-signed a blank check for the purchase of equipment from the Drug Fund. The check that was signed did not include an amount or payee.

The Sheriff has implemented internal controls throughout his office to help prevent fraud and financial misstatements. Having management sign checks and requiring dual signatures are two of the most important controls over disbursements. These controls ensure that management is aware of all money being expended by the office and that a responsible individual is checking for accuracy and ensuring that the expense is a legitimate obligation of the office.

For the sake of convenience the Sheriff and Chief Deputy signed a blank check and sent a deputy to make the purchase. By signing a check that had not been filled out, these important controls were bypassed and the office's assets were left susceptible to misappropriation or abuse.

We recommend that the Sheriff allow controls over disbursements to function as designed and to only sign checks that have been completely filled out and have proper support.

*Sheriff's Response: Our office does not typically procure items directly from a retail store as was done in this situation. However, this was a unique purchase for use by detectives and required comparison of products and pricing among different retailers. While I have full faith in the officer responsible for making this purchase, we understand our auditors' concern and realize the risks that were taken with this transaction. In the future, we will explore more acceptable purchasing options if a similar instance arises.*

MCCRACKEN COUNTY  
JON HAYDEN, SHERIFF  
COMMENTS AND RECOMMENDATIONS  
For The Year Ended December 31, 2014  
(Continued)

INTERNAL CONTROL – SIGNIFICANT DEFICIENCIES: (Continued)

2014-003 The Sheriff Should Strengthen Internal Controls Over The Petty Cash Fund

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The McCracken County Sheriff's office utilizes a petty cash fund for small purchases. The Sheriff keeps a running balance of \$1,000 in this fund and purchases are reimbursed by the McCracken County Fiscal Court. As part of our testing, we observed a deputy count this cash fund and then reconcile the count to the ledger. A \$14 overage in the petty cash fund was noted. This overage could not be explained and based on inquiry, the fund had been off for several months. Maintaining a reconciled ledger is a crucial control to ensuring that cash is protected and accounted for.

Auditors also noted multiple exceptions while testing disbursements from the petty cash fund. Most of the exceptions involved reimbursements of travel expenses to employees. The following issues were noted:

- Fifteen instances where receipts for meal purchases were not itemized.
- One instance where items unrelated to work were reimbursed.
- One instance where a receipt was reimbursed to an employee twice.

These issues occurred because of weak internal controls over the petty cash fund. Therefore, we recommend that the Sheriff implement strong internal controls over petty cash. These controls should include requiring balanced monthly reconciliations, close inspection and approval of all purchases, itemized receipts being required for all reimbursements, and strong oversight by management.

*Sheriff's Response: The petty cash fund and its respective ledger have since been examined and brought into balance. Notification was sent out to all employees that itemized meal receipts were mandatory for any future reimbursement the day after auditors brought this matter to our attention. Though the amounts paid for a non-travel related expense and the duplicate reimbursement were very small, better examination of travel reimbursements will be made to help prevent any future errors.*



